



Fall 2004

CROP INSURANCE IN MARYLAND

MARYLAND DEPARTMENT OF AGRICULTURE



*This information made possible
in partnership with the
USDA Risk Management Agency.*

Letter From Secretary Riley

How To File A Claim

New For 2005

AGR-Lite

Robert L. Ehrlich, Jr.
Governor

Michael S. Steele
Lt. Governor

INNOVATIVE MARKETING THROUGH A GROUP EFFORT LEADS TO NEW CROP INSURANCE CHOICE ON ONE FARM

Photo by Charlie Campbell



Bill Susen and John Hall check Natto beans in Kent County.

What does a small, unusual looking soybean have to do with changing the way you think about crop insurance?

The answer is quite a lot, when you are Kent county grain farmer Bill Susen, one of the few Maryland farmers who this year signed up for Adjusted Gross Revenue Lite (AGR - Lite) insurance.

"It didn't take me long to realize that when you are getting 95 cents more per bushel of soybeans, you had better stop thinking about insuring bushels and start thinking in terms of assuring your

income," said Susen, looking out over his field of Natto soybeans.

Both the standard Multiple Peril Crop Insurance (MPCI) and revenue policies like Crop Revenue Coverage (CRC) depend on average prices for standard soybeans to set the price for bushel to be insured.

Growing Natto beans to be sold under special contract directly to Japan was an outgrowth of Susen's work with Chesapeake Fields (CF). Until recently, he was a board member, helping to nurture what was then a fledgling organization.

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MARYLAND DEPARTMENT OF AGRICULTURE
50 HARRY S. TRUMAN PARKWAY
ANNAPOLIS, MARYLAND 21401

Dear Fellow Farmers:

With some exceptions, 2004 has turned out to be a very good year – good growing conditions, decent weather and excellent prices. As I write this letter, the Maryland Agricultural Statistics Service is reporting that 77 percent of the corn is good to excellent. The picture is just as good for soybeans, apples and other crops as harvest gets into full swing. This is the kind of year we all hope and pray for as farmers.



The not-so-good years are the ones that led the Maryland Department of Agriculture (MDA) to invest time and money in risk management and crop insurance. In one area, we are working with the University of Maryland Cooperative Extension to create Agricultural Local Emergency Response Teams (ALERT). These teams are part of a larger effort, The Maryland Center for Agro-Security Outreach and Education (www.agnr.umd.edu/AgroSecurity), which will work to assist the agricultural community in responding to emergencies of all types. We have also worked with the U.S. Department of Agriculture Risk Management Agency (RMA) to expand crop insurance options for Maryland producers.

Governor Robert L. Ehrlich, Jr. and MDA are absolutely committed to supporting Maryland's farmers and the rural economy. One aspect of that commitment is to make sure that our producers get every ounce of strong performing crop insurance out of the federal dollars spent on subsidizing it.

To help farmers maximize their crop insurance opportunities, MDA created an ad hoc crop insurance advisory council in the fall of 2003. The council, which includes crop insurance companies, RMA, and farmers, advises the department and the University of Maryland Cooperative Extension on its ongoing crop insurance education program. The group is also working with MDA to target areas of crop insurance that need improvement. It was this council's recommendations that led to RMA's decision to increase the number of Maryland counties where sorghum and sweet corn coverage is offered. MDA is now looking at the potential for crop insurance to help broiler producers experiencing catastrophic loss due to animal disease such as avian influenza.

Looking south to Florida, it is easy to understand the importance of being prepared for the disasters that Mother Nature can bring us. I know I will feel better when the hurricane season is over. In the meantime, we are working hard to improve your risk management opportunities. If you have questions about MDA's crop insurance activities, please contact Mark Powell at 410-841-5775 or powellms@mda.state.md.us.

Sincerely,

A handwritten signature in cursive script that reads "Lewis R. Riley".

Lewis R. Riley
Secretary

HOW TO FILE A CLAIM

These days, Maryland producers are checking their fields nearly every day, wondering what the weather will bring between now and the end of harvest. Hurricane season increases the uncertainty.

If you do see damage, what you do, and what you don't do, can have an impact on your crop insurance protection.

The Maryland Department of Agriculture, and the USDA Risk Management Agency have some advice for insured producers with damaged crops.

For most types of crop insurance policies, there are two good rules to remember:

1. Contact your crop insurance agent as soon as you are aware of any damage. The policies call for you to provide "written notice to your crop insurance agent" (by crop and by farm).
2. Do not destroy any of your crop until the adjuster or an insurance company representative has inspected the field and released the acreage.

The Basic Provisions of crop insurance policies typically require that, in case of damage to any insured crop, you must give notice, by unit, within 72 hours of your initial discovery of damage and this must occur no later than 15 days after the end of the insurance period (for instance, 12/10 for grain corn and soybeans).

If you initially discover damage to any insured crop within 15 days of, or during harvest, you should ask your crop insurance agent what you need to do to continue farming. You **MUST** have approval from your insurance company before destroying any acreage or unit.

Upon receiving your Notice of Damage, your insurance company may assign your file to an adjuster to perform an inspection. The adjuster will likely contact you to discuss your situation and to schedule a time for inspection.

WHAT TO EXPECT

You can expect the adjuster to be familiar with your policy and to explain your options. Your adjuster may ask that you have certain documents available, such as farm maps, FSA information, settlement sheets, seed receipts, etc., so that he or she can verify the information needed to determine the final disposition of your claim. In certain situations the adjuster will conduct an appraisal of your crop potential, especially if you intend to replant, or if, for any reason, you do not intend to carry the crop to harvest.

Calculating crop yield is not guesswork. It is a researched and disciplined process, which varies from crop to crop and may vary depending on the plant's stage of growth. Your adjuster has extensive classroom and field training and is constantly apprised of industry-approved procedures in order to maintain his or her expertise.

The adjuster assigned to your claim may utilize several methods to verify and document your assessment of damage. He or she may take pictures of fields, check with your neighbors on the condition of their crops, and consult local weather service data. The adjuster may also check with the local elevator operator for average yields in the area or consult your county extension office.

These are "general" Notice of Damage

requirements. Refer to the Basic and Crop Provisions applicable to the crop you have insured for more crop specific details.

Remember, if in doubt, call your crop insurance agent. ■



INSURANCE COMPANIES IN MD

Ace Property and Casualty Insurance Co.
(Rain & Hail, L.L.C.)

1-800-776-4045

www.rainhail.com

Rural Community Insurance Services

1-800-451-3836

www.rcis.com

NEW FOR 2005

In 2005, sorghum coverage will be expanded to include Baltimore, Caroline, Cecil, Howard, Kent, Queen Anne's, Talbot and Washington counties. Previously, grain sorghum crop insurance was offered in St. Mary's, Dorchester, Wicomico, Somerset, and Worcester counties.

Another improvement for 2005 is that wheat growers will be able to insure wheat at 80 and 85 percent levels. Also scheduled for 2005... processing sweet corn crop insurance will be added in Talbot County and fresh market sweet corn crop insurance will be expanded to Anne Arundel, Baltimore, Carroll, Charles and Harford counties. ■

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CHESAPEAKE FIELDS BUILDING VALUE-ADDED AGRICULTURE

CF began in Kent County in 1999 with a preliminary needs assessment. In less than five years this farm organization has come from that tentative examination to an aggressive research and marketing program with a very ambitious business plan.

“We are interested in providing farmers throughout this region with tools to help them find new markets and to remain profitable over the long term,” said John Hall, President of CF.

The Natto soybeans came about as part of CF’s work to identify markets, both national and international, for identity preserved seed crops.

In Japan, Natto soybeans are fermented in a special process that turns them into a pungent mixture often eaten with rice and raw eggs for breakfast, or added to miso soup. Natto is full of vitamins B2 and B12, plus 16.5 percent protein, and they look different too.

Natto beans are small (maximum 5.5 mm diameter). They are long growing (group 5) beans and they have one unusual feature. Unlike most soybeans, Natto beans are a uniform cream color all over. They don’t have that little dark spot. Grading and sorting the beans to assure the necessary quality is part of the deal.

BIG PICTURE RISK MANAGEMENT

CF’s efforts are a classic case of the best defense being a good offense. They are trying to improve the marketing risk management performance of all their farmer members, and they are not thinking small.

When asked what he expected from CF in the next five years, Hall said, “We are going to have 200 members, from Pennsylvania to North Carolina. We will be exporting specialty crops from 30,000 to 50,000 acres. We will have our own business park where we will manufacture value-added

products such as soybean snacks, artisan breads, and energy foods.” (CF already produces soybean snacks and artisan breads through contracts with other producers).

Hall added that another component of their five-year plan is an education center focused on the idea of promoting sustainable agriculture. He hopes CF will partner with environmental organizations in pursuit of that goal.

“Of all the human uses of land, agriculture usually is, and ought always to be, the most environmentally friendly,” Hall added.

AGR-LITE

Bill Susen thinks about risk management through his role with CF, through managing his own farm, and through his involvement with a marketing group that meets once a month. It is through the marketing group that he gets the information he needs to hedge or buy options. Crop insurance is also a big part of his risk management considerations.

“The concept behind crop insurance is right and I really appreciate the subsidies,” he said, adding, “It’s really silly not to take advantage of it.”

His shift to AGR-Lite was driven by the fact that he was growing more high value crops. Besides the Natto soybeans he also grows contract popcorn along with his corn and wheat.

“If you grow high value crops it shows up on your tax forms and you already have those records so it’s really easy.”

Your tax form records, which you already have, make up most of your documentation for AGR-Lite.

For Susen, who carefully read over his policy options, AGR-Lite was obvious. “If you increase your monetary yield, AGR-Lite is perfect.” ■

2002 AG CENSUS ON INTERNET

Agricultural statistics from USDA's National Agricultural Statistics Service are very important to the development and implementation of crop insurance.

County and state statistics are available from the Ag Census and other annual surveys at: www.usda.gov/nass/

AGR-LITE

Adjusted Gross Revenue Lite (AGR-Lite), is a streamlined, whole farm revenue protection package. The sales closing deadline, and the acreage reporting deadline, is January 31.

Covered farm revenue includes income from almost all crops and agricultural commodities, including animals and animal products such as milk. It even covers greenhouse production, organic production, and aquaculture products grown in a controlled environment.

The maximum policy liability is \$250,000 per year (up to about \$500,000 in total farm sales). Producers can use IRS Schedule F, 1040, to calculate income history.

AGR-Lite can be a great fit for those Maryland producers that direct market with cash sales, or when increased income results from specialized production or marketing practices (i.e. horse hay, vegetables, fruits, herbs, etc.). Combining AGR-Lite and CAT for fresh market sweet corn may improve protection and reduce the premium cost compared to the same level MPCl. ■